

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 CAB-02 COME-00

DOT-00 EB-07 FAA-00 ACDA-05 SAJ-01 IO-10 TRSE-00

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O R 291729Z NOV 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 6551

INFO USMISSION USBERLIN

AMEMBASSY LONDON

USMISSION NATO BRUSSELS

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 18539

E. O. 11652: GDS

TAGS: PFOR, EAIR, WB, GW, US, UK, FR

SUBJECT: PAN AM AND BRITISH AIRWAYS FARE INCREASE
REQUEST

REF: A. STATE 259030; B. BONN 17595

1. SUMMARY. WE HAVE URGED UK CAA TO CONCUR IN
IMMEDIATE TABLING OF 7.9 PERCENT FARE INCREASE IN
BCATAG. BA'S JUSTIFICATION FOR PRESENT FARE INCREASE
PROVIDES, IN OUR VIEW, INADEQUATE SUPPORTING INFORMATION.
UK CAA HAS PROMISED TO RESPOND TO BOTH POINTS
AS SOON AS POSSIBLE. WE HAVE AGREED PARAMETERS FOR
REQUIRED BACKGROUND ECONOMIC STUDY IN PREPARATION FOR
UK/US CONSULTATIONS AND A FINAL DRAFTING SESSION IS
SCHEDULED FOR DECEMBER 4. ACTION REQUESTED: WE
BELIEVE IT MAY BE USEFUL FOR THE DEPARTMENT TO RAISE
OUR POSITION RE IMMEDIATE TABLING OF 7.9 PERCENT
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INCREASE WITH THE UK EMBASSY IN WASHINGTON. END

SUMMARY.

2. EMB CAA DISCUSSED QUESTION OF FORMALLY TABLING IGS FARE PROPOSAL IN BCATAG WITH UK CAA GROVES. IN SUPPORT OF THIS COURSE OF ACTION, EMB CAA POINTED OUT THAT ON THE BASIS OF PAST EXPERIENCE WE WOULD EXPECT GERMAN CONSIDERATION TO DRAG ON FOR AT LEAST A MONTH AND EVEN LONGER SHOULD WE DECIDE TO PRESS FOR AN INCREASED SUBSIDY. THUS, WITH US/UK CONSULTATIONS SCHEDULED FOR EARLY DECEMBER, WE COULD ENVISAGE THAT THE AIRLINES WOULD NOT RECEIVE THE ADDITIONAL REVENUES THEY REQUIRE UNTIL WELL AFTER THE NEW YEAR. MOREOVER, FURTHER DELAY VIS-A-VIS BCATAG, IN OUR VIEW, WOULD EXPOSE US TO CHARGES BY THE GERMANS THAT WE WERE ONCE AGAIN FREEZING THEM OUT OF A BERLIN ISSUE WHICH THEY CONSIDERED OF CONSIDERABLE DOMESTIC POLITICAL IMPORTANCE. GROVES THOUGHT BOTH POINTS WERE WORTH CONSIDERATION AND UNDERTOOK TO DEVELOP A UK RESPONSE TO OUR SUGGESTIONS SOONEST.

3. IN THE COURSE OF A FURTHER INFORMAL COMPARISON OF NOTES ON THE FARE INCREASE APPLICATIONS, GROVES SAID THAT BA'S CASE WAS IN FACT BASED SOLELY ON FUEL COSTS AND THAT THE LONDON-CLEARED APPLICATION CONSISTED OF ONLY THREE PAGES OF NARRATIVE WITH SOME FIGURES WHICH HE ADMITTED WERE SCANTY AT BEST. HE ADDED THAT THE MATERIAL HE HAD PROPOSED A FUEL SURCHARGE RATHER THAN A FARE INCREASE. EMB CAA EXPRESSED DISAPPOINTMENT AT THE THIN JUSTIFICATION PROVIDED BY BA, POINTING OUT THAT SINCE THE PROPOSED FARE LEVELS WERE IDENTICAL (REFTEL), WE HAD ASSUMED THAT BA AND PAA HAD COORDINATED THEIR PRESENTATION MORE FULLY THAN WOULD SEEM TO BE THE CASE. UNDER THE CIRCUMSTANCES, WE BELIEVED IT IMPORTANT THAT BA PROVIDE MORE DATA ON OPERATING COSTS, ETC., SINCE WE DID NOT THINK IT WISE TO PRESENT THE GERMANS WITH A WATERED-DOWN CONSOLIDATED PRESENTATION, PARTICULARLY WHEN PAA HAD PROVIDED SUFFICIENT

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 18539

MATERIAL TO MAKE A WELL DOCUMENTED CASE TO BCATAG. EMB CAA RECALLED THAT THE FRG REPS WERE ESPECIALLY BITTER ABOUT THE PAUCITY OF INFORMATION WE HAD GIVEN THEM DURING THE JUNE 1974 EXERCISE.

4. EMB CAA ADDED THAT WE WOULD FIND IT AWKWARD TO LABEL PRESENT APPLICATION A FUEL SURCHARGE SINCE PAA'S CASE TOOK ACCOUNT OF INCREASED LABOR AND OTHER COSTS. MOREOVER, WE FELT THERE WAS LITTLE TO BE GAINED ON THE PUBLIC RELATIONS SIDE FROM THIS APPROACH, SINCE FUEL PRICES WHILE ADVANCING HAD NOT INCREASED DRAMATICALLY SINCE JUNE. WE, THEREFORE, BELIEVED A FARE INCREASE WOULD PROBABLY BE THE BEST WAY TO PROCEED.

5. EMB CAA ALSO SUGGESTED THAT WE PROCEED IMMEDIATELY TO AGREE PARAMETERS FOR THE REQUIRED BACKGROUND STUDY. CONFIDENTIAL

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GROVES PRESENTED HIS PROPOSED OUTLINE WHICH HE BELIEVED COULD SERVE AS A DEPARTURE POINT FOR TB OUR FINA REPORT. IT WAS AGREED THAT A FINAL DRAFTING SESSION WOULD BE HELD ON DECEMBER 4 IN BONN TO INCLUDE REPS FROM THE US AND UK BERLIN MISSIONS IF POSSIBLE.

6. COMMENT: WE WILL URGE UK REPS TO PROVIDE MORE DETAILED INFORMATION ON BA'S OPERATIONS FOR USE IN PRESENTING 7.9 PERCENT FARE INCREASE CASE. AT THE SAME TIME, WE WILL STRESSTHAT ANY UK PROPOSAL DURING

TALKS IN WASHINGTON FOR A JOINT APPROACH TO THE FRG ON
SUBSIDIES MUST BE SUPPORTED BY A STRONG ECONOMIC CASE.
WE THINK IT MIGHT BE USEFUL FOR THE DEPARTMENT TO RAISE
THE SUGGESTION OF PROCEEDING IMMEDIATELY WITH THE 7.9
PERCENT INCREASE WITH THE UK EMBASSY IN WASHINGTON.
WE ARE INCLINED TO THINK IT IS ALREADY TOO LATE FOR
THE AIRLINES TO GET A FARE INCREASE IN EFFECT BEFORE
CHRISTMAS. PAA DIRECTOR RUNNETTE HAS ALREADY TOLD US
HE WOULD POSTPONE THE FARE INCREASE UNTIL JANUARY 6 IF
HE COULD NOT INTRODUCE IT BY DECEMBER 1, SO AS NOT TO
DAMPEN CHRISTMAS DEMAND, OR ATTRACT AN UNFAVORABLE
PUBLIC RESPONSE. EVEN WITH A JANUARY 6 INTRODUCTION,
HOWEVER, WE WOULD NEED FULL AGREEMENT HERE SOMETIME
BEFORE THE HOLIDAYS.
CASH

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